Thornburg Income & U.S. Government Bonds

Portfolio Manager Commentary
31 March 2025

Thornburg

Market Review

The first quarter of 2025 was characterized by significant volatility and complexity across global financial markets that was not driven by a singular trend but was a tug-of-war between multiple forces. Aggressive fiscal measures, particularly new tariffs, injected uncertainty and inflationary pressures, initially steepening the yield curve. However, the Federal Reserve maintained a patient stance, signaling potential rate cuts later in the year amid concerns of slowing economic momentum. This dovish tilt capped longer-term yields and supported risk assets, including corporate credit, which saw modest spread tightening despite the macro headwinds. Inflation-linked bonds also garnered attention as tariff-induced price pressures became a focal point. The quarter concluded with markets closely watching inflation data and central bank rhetoric for clearer signals on the future path of rates and the ultimate impact of fiscal policy on the broader economy.

> Despite volatility, our focus continues to be on generating attractive income and risk-adjusted total returns over the long term.

First Quarter 2025 Performance Highlights

- In 1Q25 the Limited Term Income Portfolio (net of fees) returned 2.31%, -11 basis points behind the Bloomberg Intermediate U.S. Government/Credit Index. Year to date the portfolio (net of fees) returned 2.31%, -11 basis points behind the index.
- The portfolio maintained a duration roughly 0.28 years shorter than the index, which was problematic during a period of falling yields. As a result, duration was a detractor from relative performance, accounting for -11bps during the quarter.
- The portfolio's performance during the quarter was driven by its underweight allocation to Treasuries securities versus the Index which accounted for -65bps of relative underperformance.
- The portfolio's relative performance did benefit from its larger allocation to Collateralized Mortgage Obligations (CMO) and Mortgage Pass-Through (MPT) securities. The allocation to CMOs contributed 25bps to relative performance during the quarter while the MPT exposure contributed 26bps to relative performance.

Portfolio Managers

Lon Erickson, CFA
Portfolio Manager

Christian Hoffmann, CFA
Head of Fixed Income

Supported by the entire Thornburg investment team

Current Positioning and Outlook

Consistent with our mandate, we actively adjusted portfolio positioning throughout the quarter in response to evolving market conditions and relative value opportunities. We maintained broad diversification across fixed-income sectors. While detailed shifts are part of our continuous management, our active management approach proved crucial in navigating the quarter's volatility.

The strategy remained positioned with a longer duration and higher quality bias compared to its long-term range, driven by attractive real yields and very tight credit spreads. However, the market rewarded the opposite. Security selection, driven by our bottom-up fundamental credit research, was a key contributor, allowing us to identify resilient issuers across various sectors.

We maintained broad diversification across fixed-income sectors with an emphasis on sectors demonstrating resilience or offering compelling risk/reward profiles identified through our research. The allocations to Treasuries, investment grade corporate credit, collateralized mortgage obligations, and mortgage pass-throughs were all large drivers of absolute returns during the period.

The performance data quoted represents past performance; it does not guarantee future results.
Please see the Composite standardized performance tables included herein.

The portfolio continued to invest across the investment-grade credit spectrum, focused on fundamentally sound issuers offering attractive compensation for risk. This included selectively chosen corporate bonds with stronger balance sheets and more predictable cash flows which helped drive absolute performance during the quarter. Our primary approach remained identifying mispriced securities through rigorous bottom-up analysis, but opportunities were few and far between given spread levels.

Looking ahead, uncertainty surrounding inflation, central bank policy paths, economic growth trajectories, and geopolitical events, including trade policy, persists. We anticipate continued market volatility, which often creates opportunities for active managers. We remain committed to our disciplined investment process, combining top-down macroeconomic insights with intensive bottom-up credit research to identify relative value across the fixed income universe. Our focus continues to be on generating attractive income and risk-adjusted total returns for our clients over the long term.

ANNUALIZED RETURNS (AS OF 31 MARCH 2025)

THORNBURG LIMITED TERM INCOME STRATEGY (%)	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD (1 FEB 93)
Composite (Gross)	2.39	2.39	6.63	3.79	3.13	3.01	5.24
Composite (Net)	2.31	2.31	6.30	3.46	2.81	2.68	4.56
Bloomberg Intermediate U.S. Government/Credit Index	2.42	2.42	5.65	2.18	0.86	1.81	4.23

THORNBURG LIMITED TERM U.S. GOVERNMENT STRATEGY (%)	QTR	YTD	1-YR	3-YR	5-YR	10-YR	ITD (1 MAR 88)
Composite (Gross)	2.86	2.86	6.25	2.32	0.99	1.69	4.91
Composite (Net)	2.77	2.77	5.86	1.94	0.61	1.31	4.14
Bloomberg U.S. Government Intermediate Index	2.48	2.48	5.35	1.79	-0.03	1.36	4.60

THORNBURG ULTRA SHORT INCOME STRATEGY (%)	QTR	YTD	1-YR	3-YR	ITD (1 OCT 20)
Composite (Gross)	1.28	1.28	5.95	4.96	3.32
Composite (Net)	1.22	1.22	5.68	4.70	3.06
ICE BofA U.S. Treasury Bill Index	1.04	1.04	5.06	4.26	2.83

In US$ terms. **Returns may increase or decrease as a result of currency fluctuations.**
Periods less than one year are not annualized. ITD is inception to date.

Performance data for the Limited Term Income Strategy is from the Limited Term Income Composite, inception date of 1 February 1993. The Limited Term Income Composite includes all non-wrap discretionary accounts invested in the Limited Term Income Strategy. Returns reflect the reinvestment of income and capital gains.

Performance data for the Limited Term U.S. Government Strategy is from the Limited Term U.S. Government Composite, inception date of 1 March 1988. The Limited Term U.S. Government Composite includes all discretionary non-wrap accounts invested in the Limited Term U.S. Government Strategy. Returns reflect the reinvestment of income and capital gains.

Performance data for the Ultra Short Income Strategy is from the Ultra Short Income Composite, inception date of 1 October 2020. The Ultra Short Income Composite includes all non-wrap discretionary accounts invested in the Ultra Short Income Strategy. Returns reflect the reinvestment of income and capital gains.

Returns are calculated using a time-weighted and asset-weighted calculation. Periods less than one year are not annualized. Individual account performance will vary. The performance data quoted represents past performance; it does not guarantee future results. Net of fee returns are net of transaction costs and investment advisory fees. For periods prior to 2011, net returns for some accounts in the composite also reflect the deduction of administrative expenses. Thornburg Investment Management Inc.'s fee schedule is detailed in Part 2A of its ADV brochure. Gross of fee returns are net of transaction costs. Performance results of the firm's clients will be reduced by the firm's management fees. For example, an account with a compounded annual total return of 10% would have increased by 159% over ten years. Assuming an annual management fee of 0.75%, this increase would be 142%.

CALENDAR YEAR RETURNS

THORNBURG LIMITED TERM INCOME STRATEGY (%)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Composite (Gross)	5.21	6.99	-6.53	-0.33	8.09	6.26	1.72	3.22	3.99	1.34
Composite (Net)	4.87	6.65	-6.82	-0.64	7.74	5.91	1.38	2.89	3.63	0.98
Bloomberg Intermediate U.S. Government/Credit Index	3.00	5.24	-8.23	-1.44	6.43	6.80	0.88	2.14	2.08	1.07

THORNBURG LIMITED TERM U.S. GOVERNMENT STRATEGY (%)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Composite (Gross)	3.32	4.91	-7.21	-0.99	4.69	4.55	1.71	1.53	1.90	1.20
Composite (Net)	2.94	4.52	-7.57	-1.35	4.31	4.16	1.33	1.16	1.52	0.81
Bloomberg U.S. Government Intermediate Index	2.44	4.30	-7.73	-1.69	5.73	5.20	1.43	1.14	1.05	1.18

THORNBURG ULTRA SHORT INCOME STRATEGY (%)	2024	2023	2022	2021
Composite (Gross)	6.11	6.10	0.52	0.62
Composite (Net)	5.84	5.83	0.27	0.37
ICE BofA U.S. Treasury Bill Index	5.30	5.09	1.34	0.05

In US$ terms. **Returns may increase or decrease as a result of currency fluctuations.**

The performance data quoted represents past performance; it does not guarantee future results. Please see the Composite standardized performance tables included herein.

Important Information

Unless otherwise noted, the source of all data, charts, tables and graphs is Thornburg Investment Management, Inc., as of 31 March 2025

Investments in the Strategy carry risks, including possible loss of principal. Carefully consider the Strategy's investment objectives, risks, and expenses before investing. There is no guarantee that the portfolio will meet its investment objectives.

The views expressed are subject to change and do not necessarily reflect the views of Thornburg Investment Management, Inc. This information should not be relied upon as a recommendation or investment advice and is not intended to predict the performance of any investment or market.

Basis Point (bp) – A unit equal to 1/100th of 1%. 1% = 100 basis points (bps).

U.S. Treasury securities, such as bills, notes and bonds, are negotiable debt obligations of the U.S. government. These debt obligations are backed by the "full faith and credit" of the government and issued at various schedules and maturities. Income from Treasury securities is exempt from state and local, but not federal, taxes.

A bond credit rating assesses the financial ability of a debt issuer to make timely payments of principal and interest. Ratings of AAA (the highest), AA, A, and BBB are investment-grade quality. Ratings of BB, B, CCC, CC, C and D (the lowest) are considered below investment grade, speculative grade, or junk bonds.

Credit Spread/Quality Spread - The difference between the yields of securities with different credit qualities.

Duration - A bond's sensitivity to interest rates. Bonds with longer durations experience greater price volatility than bonds with shorter durations.

Yield Curve - A line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates.

Collateralized Mortgage Obligation (CMO) - A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Mortgage Pass-Through - A security consisting of a pool of residential mortgage loans. Payments of principal, interest and prepayments are "passed through" to investors each month.

The Bloomberg Intermediate U.S. Government/Credit Index (BBG Int US Govt/Credit TR Value) is an unmanaged, market-weighted index generally representative of intermediate government and investment-grade corporate debt securities having maturities from one up to ten years.

The Bloomberg U.S. Government Intermediate Index (BBG US Govt Int TR Value) is an unmanaged, market-weighted index generally representative of all public obligations of the U.S. Government, its agencies and instrumentalities having maturities from one up to ten years.

ICE BofA U.S. Treasury Bill Index tracks the performance of US dollar denominated US Treasury Bills publicly issued in the US domestic market.

Portfolio construction will have significant differences from that of a benchmark index in terms of security holdings, industry weightings, asset allocations and number of positions held, all of which may contribute to performance, characteristics and volatility differences. The index shown is unmanaged, reflect total returns and assume the reinvestment of all income in U.S. dollars. It does not reflect any management fees or brokerage expenses associated with a portfolio's returns. Returns for an actual portfolio may differ from those of an index due to (among other things) differences in timing and the amount invested and fees and expenses. Investors may not make direct investments into any index.

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*Includes assets under management ($45.4B) and assets under advisement ($1.2B).

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